

**Statement of James K. Walls, Executive Director for
Lake County Resources Initiative**

**Before the House Committee on Science and Technology
Subcommittee on Energy and Environment**

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It is an honor to be here and testify before this distinguished committee. My name is Jim Walls and I am the Executive Director of Lake County Resources Initiative, a non-profit that works on natural resource projects that includes biomass, geothermal, solar, wind and small hydro projects. Our goal and economic diversification strategy is to make Lake County Oregon's Most Renewable Energy County and become a net exporter of renewable energy. Lake County is 78% federal lands with the Fremont-Winema National Forests and Bureau of Land Management being the biggest landowners. Lake County is in the south central dry interior of the state of Oregon. The Fremont portion of the National Forest lies roughly between the towns of Lakeview, Klamath Falls and Bend, Oregon just north of the California/Oregon border. The major tree species include ponderosa pine, western juniper, lodgepole pine, and at higher elevations white fir. Most of these trees are adapted to summer drought and extreme temperature fluctuations due to the arid nature of the region (FNF 2003). The 10-20 inches average precipitation occurs from the autumn through the spring and as a result the summers are dry and hot (Oregon State University 2003). At the height of timber removals Lake County supported 5 mills; today one remains, the Fremont Sawmill owned by The Collins Company. As a result of the curtailment of timber harvesting, Lake County was the only county in Oregon that experienced a net job loss during the 1990's (Kauffman 2001).

Historically, forest management of the Fremont-Winema NF focused on aggressive fire suppression and logging of large old-growth ponderosa pine trees. Consequently, forest composition and natural fire disturbance regimes have been dramatically altered, increasing the risk that abnormally intense wildfires, insects, and disease will devastate the remaining old-growth stands and other forest ecosystem components. The impact of fire suppression and removal of old-growth is greatest on the low-elevation ponderosa pine and mid-elevation mixed conifers. Many areas have missed 7 to 10 fire return intervals, and mature forests of large, widely spaced trees have declined more than 50 percent from historical levels. Middle-aged forests, less than 100 years old, are substantially more common than they were historically.

We are somewhat unique in that we have one of two Federal Sustained Yield Units remaining in the country: the 450,000 acre Lakeview Sustained Yield Unit. These units were created in the late 1940's to guarantee timber supply to local sawmills. In 1996 when the fourth mill out of five in Lake County closed it triggered a review of the Unit by the Forest Service. At that time there were no environmental groups that would support the reauthorization of the sustained yield unit. Jane O'Keeffe, former County Commissioner and Paul Harlan, The Collins Companies, took a big risk by asking Sustainable Northwest to help convene a gathering of environmental groups in Lakeview to discuss reauthorization of the Lakeview Federal Sustained Yield Unit. This was the beginning of a great collaborative that assisted in reauthorization of the Unit under a new

vision following a new set of goals that incorporates both ecological and social outcomes. In 2001, Chief Dombeck of the Forest Service reauthorized the newly named Lakeview Federal Stewardship Unit with this new vision of a restoration economy driving activities within the Unit. The collaborative group, the Lakeview Stewardship Group (LSG) stills meets quarterly and is comprised of national, regional and local environmental groups, representatives of the wood products industry and local citizens. Some of the members in the collaborative include: The Wilderness Society, The Nature Conservancy, Defenders of Wildlife, Sustainable Northwest, Friends of the Fremont-Winema, The Collins Companies, Marubeni Sustainable Energy, LCRI and private individuals.

In 2005, the Lakeview Stewardship Group completed a long-range strategy for the Unit that takes a holistic and scientific approach toward forest restoration. The strategy builds on regional ecosystem assessments and local watershed analyses conducted by the Forest Service, as well as independent scientific and university studies. It is also based on results of an intensive 6-year monitoring program conducted by Lake County high school and college graduates under the supervision of experienced scientists. As a direct result of this support and planning, The Collins Companies recently installed a new \$6.8 million dollar small diameter sawmill. Marubeni Sustainable Energy is in the permitting process for a new \$40 million dollar biomass plant, and Collins Companies just received a 10-year stewardship contract in the Unit. When the Collins Companies had the ribbon cutting ceremony for the new sawmill, each of the environmental groups involved in the Lakeview Stewardship Group were present. It is hard to put into words what this collaborative means but here we have almost \$50 million dollars of investment going into a place where the source of supply is the Federal government. We are either idiots or we've found a new way of doing business. The biomass plant will employ 15 at the plant and 50-75 in the woods and for a county of 7,500 that is a tremendous impact.

On a larger scale Lake County Resources Initiative (LCRI) is part of the Rural Voices for Conservation Coalition (RVCC) that is comprised of environmental groups, industry and non-profits both at a local and national scale. The RVCC is committed to finding and promoting policy solutions through collaborative, place-based work that recognizes the inextricable link between the long-term health of the land and the well-being of rural communities. Members come from California, Oregon, Washington, Idaho, Montana, Colorado, New Mexico, and Arizona.

Most of the existing renewable energy policies and programs encouraging woody biomass utilization are focused on developing larger scale (20 + MW) and centralized electric generation or bio-fuel facilities to produce transportation fuels in a few key locations resulting in hauling woody biomass from far away. This existing strategy is too narrow in focus and is insufficient for the following reasons:

1. Existing incentives to develop renewable energy are weighted heavily towards electricity and bio-fuels, and often exclude thermal applications from qualification towards renewable energy targets. Generating thermal energy is the most efficient conversion possible from woody biomass, exceeding the efficiencies of both electric generation and liquid bio-based fuels. Capturing and utilizing the thermal energy produced from a CHP facility significantly increases overall system efficiency.

2. Incentives targeted exclusively on woody biomass for electricity production and/or liquid bio-fuels may create disincentives for other traditional and innovative high-value uses of small diameter wood.
3. The language in the Energy Independence and Security Act of 2007 (Public Law 110–140; 121 Stat. 1492) that defines biomass for applicability to the Renewable Fuels Standard does not include woody biomass from federal lands. This creates social inequity for public-lands communities that are surrounded by Federally owned forests the opportunity to develop appropriately-scaled renewable energy facilities to simultaneously address national energy goals and forest health. Definitions of biomass in national energy policy should include Federal sources of woody biomass with the appropriate ecological safeguards in place.
4. Building high-capacity electricity transmission lines from rural communities to centers of energy demand is costly and time consuming, which makes both government and utilities reluctant to invest in woody biomass as a feedstock for renewable power.
5. The additional consumption of fossil fuels for long-distance hauling of woody biomass does nothing to promote local or national energy independence. Also, hauling costs increase with distance, quickly exceeding the value of the biomass as a feedstock to generate energy.
6. Providing incentives focused exclusively on development of large scale facilities means that economic development opportunities for rural communities will be missed. Additionally, the financial capital needed for large scale electric generation and liquid bio-fuels plants makes the possibility of local community ownership of such facilities nearly impossible for most rural towns.
7. Developers always move towards the larger projects because it takes the same personnel to run a 10 MW as it does a 30 MW biomass plant. The plants need to be appropriately sized as a sustainable tool to restore forest health, not become a monster that demands to be fed. It is important for the collaborative to agree on the size of plant that is appropriate for the local ecological and social conditions.

I would like to finish my presentation with key recommendations from the RVCC for biomass:

1. Improve and extend Production Tax Credits that wind and closed loop biomass enjoy to other renewables and qualify thermal biomass energy when developing Renewable Portfolio Standards.
2. Create and fund a grant program to provide capacity building and technical assistance to communities and micro-businesses, and fund existing biomass grant programs.
3. Revise USFS and BLM performance measures and targets to encourage biomass harvesting from the treatment of priority acres identified through a collaborative process. Performance measures need to make sure that treatments are reducing fire hazard class.
4. Grant budget and target flexibility to facilitate the development of long-term stewardship contracts.
5. Encourage the Forest Service to utilize 10-year stewardship contract authorities: designation by prescription, indefinite quantity indefinite duration contracts, goods for

services and best value contracts to help reduced agency costs in getting projects on the ground.

6. As Congress moves towards climate change legislation, do not forget rural communities that live in federally dominated landscapes. On National Forests, timber is no longer the sole product; we utilize stewardship contracting to produce a host of ecological services that are now being recognized in the market. The holder of the stewardship contract should be able to sell carbon credits created by the work performed. I have attached a separate paper on this subject for your review.

I will conclude by saying nothing will work without collaboration involving all the stakeholders and Congress must avoid allowing groups on either side of the federal lands debate to swing the pendulum to far either way.

Thank you for the honor and time to present here today.